

Agenda Date: July 31, 2000

Item Number:

Docket: UG-001011

Company: Northwest Natural Gas Company

Staff: Mike Parvinen, Policy Research Specialist
Yohannes Mariam, Rate Research Specialist

Recommendation:

Allow the filing in Docket UG-001011 to become effective on August 1, 2000, as filed.

Discussion:

On June 29, 2000, Northwest Natural Gas Company (NW Natural) filed a Purchase Gas Adjustment (PGA) with tariffs carrying an effective date of August 1, 2000. The result of the tariff pages for the PGA is an increase in annual revenues of \$7,001,000 (22.9% increase to impacted customers, 21.9% total Washington revenues).

Background:

NW Natural gas serves approximately 38,000 customers in Vancouver and surrounding areas of Southwest Washington. Service is provided using resources from two interstate pipelines, two underground storage fields, as well as gas supplies from Canada, the Rockies, and the Southwest. The Commission has received four letters from customers opposed to the increase as of July 25, 2000.

The PGA mechanism is designed to pass on actual gas costs to customers. The PGA establishes for the upcoming year what the best projection is going to be for the cost of gas. The difference between the projected cost and the actual cost is deferred and amortized back to customers with interest, whether it be a refund or surcharge. NW Natural last filed its PGA and Deferral Amortization with an effective date of December 1, 1999.

PGA (Estimated Future Gas Costs):

There are two components that go into determining prospective gas costs. One is commodity costs, which are for the actual usage of gas supply, the transportation of the gas, and/or the usage of storage. The other component is demand costs. Demand charges are for the right to take gas, right to use the pipeline, and/or right to use storage. Commodity prices are increasing by \$.14028/therm while rates to recover demand charges are being reduced by \$.00008/therm for firm sales customers and \$.00001/therm for interruptible sales schedule customers. Commodity prices are very market driven. The market remains high and forecasts show little sign of relief through the winter season. The proposed Weighted Average Cost of Gas (WACOG) is \$.44166 (\$.33553 commodity, \$.10613 firm demand).

Summary:

The effect of the PGA filing will result in the following per unit and overall revenue increase for the following sales schedules:

	<u>Per Therm Change</u>	<u>Annual Rev Change</u>	<u>Percent Change</u>
Residential	\$.14020	\$3,735,000	21.9%
Commercial & Indust.(Avg)	\$.14020	\$3,124,000	32.09%
Large Volume (Avg)	\$.14027	<u>\$ 142,000</u>	44.24%
Total		\$7,001,000	

As a result of the proposed PGA changes, an average residential customer's bill will increase by about \$9.11 per month (based on 65 therms per month).

Conclusion:

Staff has reviewed the company's methodology and calculations regarding the forecasts of average gas purchase price and found them reasonable. Staff recommends that the filing be allowed to become August 1, 2000, as filed.